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Thomas W. Hayes
Auditor General

December 21, 1987

P-770

Honorable Art Agnos, Chairman
Members, Joint Legislative
Audit Committee
State Capitol, Room 3151
Sacramento, California 95814

Dear Mr. Chairman and Members:

To comply with the Budget Act of 1987, the State Department of Education (SDE) surveyed 680 child care contractors to identify the number of children of parents receiving Aid to Families with Dependent Children (AFDC) who are enrolled in child care programs that are subsidized by the SDE. Although the Budget Act directs the Office of the Auditor General to certify the data collected by the SDE, we are unable to certify the data because some data are inaccurate. We reviewed the enrollment data reported to the SDE by child care contractors who operate 13 programs. We determined that these contractors reported inaccurate AFDC enrollment information for 11 of the 13 programs. If the SDE relies on inaccurate enrollment information, it may implement inappropriate enrollment priorities for subsidized child care programs. The Budget Act of 1987 also requires that the Office of the Auditor General evaluate and report on the potential availability of subsidized child care services to the "working poor" who have not been participants of the Greater Avenues for Independence (GAIN) program. However, we were unable to determine the effect of the GAIN program on the availability of child care because the GAIN program has not been implemented statewide.

Background

In 1985, the Legislature enacted Chapter 1025, Statutes of 1985, which established the GAIN program. This program, which is administered by county welfare departments, is designed to provide employment and training services to recipients of AFDC to help them become financially self-sufficient. Each county welfare department is required to design a package of services, called a county plan, to be provided to GAIN participants. By September 1987, county welfare departments were required to submit these plans to the Department of Social Services (DSS) for approval. According to DSS documents, as of

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November 5, 1987, all but 4 of California's 58 counties have submitted their plans to the DSS for approval, and the DSS has approved plans for 22 counties.

Recipients of AFDC with children aged six or over are required, with certain exceptions, to participate in the GAIN program. However, participation in the GAIN program is voluntary for recipients who have children under the age of six. When parents become participants in the GAIN program, the DSS, through county welfare departments, will pay for the parents' child care. At the same time, parents will place their names on waiting lists at various child care providers to receive subsidized child care that is provided by the SDE. Families that do not receive AFDC or other public assistance but make 84 percent of the State's median income or less are also eligible to receive subsidized child care.

When a vacancy in a subsidized child care program occurs, enrollment is generally determined according to the following priorities: (1) children requiring protective services; (2) children of parents who have completed the GAIN program and who have been "deferred"; and (3) children of parents who are not participating in the GAIN program. If the name of a parent currently participating in the GAIN program is at the top of the waiting list when this vacancy occurs, the enrollment of the parent's child in a child care program that is subsidized by the SDE is deferred, and the DSS continues to pay for child care. When parents complete the GAIN program, their children have priority for admission to subsidized child care programs ahead of all other children, with the exception of those children who require protective services.

However, the Budget Act of 1987 states that if the enrollment of children of AFDC recipients falls below certain levels, the enrollment of children of parents participating in the GAIN program into subsidized child care programs will not be deferred. According to SDE documentation, in those counties where the level of AFDC participation reported for March 1988 falls below the level of participation reported for September 1987, enrollment will then be determined by the following priorities: (1) children requiring protective services; (2) children of parents who have completed the GAIN program and who have been deferred; (3) children of parents who are currently participating in the GAIN program and who have been deferred; (4) children of parents who are currently participating in the GAIN program and whose names are at the top of a waiting list; and (5) children of parents who are not participating in the GAIN program.

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Scope and Methodology

Item 6100-196-001 of the Budget Act of 1987 directs the Office of the Auditor General to review and certify certain data collected for the Greater Avenues for Independence (GAIN) program. To verify the accuracy of the SDE's enrollment information, we determined whether the SDE correctly entered the data received from the child care contractors into a computer data base.

We then selected 11 child care contractors to review their enrollment records and to determine the number of AFDC and non-AFDC children enrolled on September 15, 1987, and whether the contractors submitted accurate enrollment information to the SDE. A list of the 11 child care contractors is presented in Attachment 1.

Further, we attempted to determine the availability of subsidized child care services to the "working poor" who have not been GAIN participants. We interviewed department and DSS staff. We also reviewed the SDE's requirements for determining eligibility for subsidized child care and a report on the availability of child care in California. However, because the GAIN program has not been implemented statewide, the effect of the GAIN program on the availability of child care for the working poor cannot yet be determined. Finally, we determined whether the SDE implemented a prior recommendation by the Office of the Auditor General. (See Attachment 2 for a discussion of the SDE's implementation of this recommendation.)

Current AFDC Enrollment

In September 1987, to determine the enrollment level of children of AFDC recipients as of September 15, 1987, the SDE surveyed 680 child care programs offered by providers with SDE contracts. Contractors were instructed to respond to the SDE by September 30, 1987. As of November 25, 1987, the SDE received 669 responses (98 percent) from the child care contractors. The SDE entered the results of this survey into a computer data base and totaled the data by county.¹ (Attachment 3 lists the AFDC and non-AFDC enrollment reported by child care programs that are subsidized by the SDE.)

¹The SDE made data entry errors for 16 responses but later corrected the data.

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We selected 11 child care contractors to determine whether they accurately reported AFDC enrollment data to the SDE and whether they had supporting documentation. These contractors reported AFDC enrollments ranging from 4 to over 70 children. We reviewed the enrollment records for 13 child care programs operated by these contractors. Contractors reported accurate enrollment data to the SDE for only 2 of the 13 programs; contractors overreported their AFDC enrollment for 10 programs and underreported their AFDC enrollment for one program. Because of these inaccuracies, we are unable to certify the data as accurate.

The percentage difference between the AFDC enrollment that the contractors reported and the enrollment that we determined ranged from 2 percent to 140 percent. The contractor for one of the programs reported an AFDC enrollment that is 2 percent higher than the enrollment that we determined; the contractor reported 43 AFDC children while we determined an AFDC enrollment of 42. A contractor for another of the programs reported an AFDC enrollment that is 140 percent higher than the enrollment that we determined; this contractor reported an enrollment of 12 AFDC children while we determined an AFDC enrollment of 5.

Additionally, the contractors for the 13 programs that we reviewed reported a total enrollment of 778 children; the AFDC enrollment was 275 children (35 percent) and the non-AFDC enrollment was 503 children (65 percent). However, we determined that the total enrollment was 766 children; the AFDC enrollment for the 13 programs was 237 children (31 percent) and the non-AFDC enrollment was 529 children (69 percent). Overall, the proportion of AFDC enrollment that we determined from data reported by the contractors was 4 percentage points greater than the AFDC enrollment proportion that we determined.

We identified two causes for the inaccurate enrollment information reported to the SDE by child care contractors. First, contractors inaccurately counted enrollment. Although the SDE issued instructions to contractors that enrollment be calculated as of September 15, 1987, some contractors failed to follow these instructions. For example, one contractor counted three children who withdrew from the program before September 15, 1987. Another contractor reported two children whose parents do not receive AFDC. Second, according to the manager of the SDE's Child Development Funding Unit, the SDE does not verify the accuracy of the AFDC enrollment data reported by the child care contractors.

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If the SDE relies on inaccurate AFDC enrollment data reported by child care contractors in those counties with approved GAIN plans, the SDE may implement inappropriate enrollment priorities for subsidized child care programs. For instance, the SDE could require a county to stop the deferral of GAIN participants, which would inappropriately allow the participants' children to enroll in subsidized child care programs ahead of the working poor.

Availability of Child Care

The Budget Act of 1987 also required the Office of the Auditor General to evaluate the potential availability of child care for the working poor who have not participated in the GAIN program. However, because the GAIN program has not been implemented statewide, the effect of the GAIN program on the availability of subsidized child care for the working poor cannot yet be determined.

Additionally, according to the Supplemental Report of the 1987 Budget Act, the DSS, in conjunction with the SDE, was to begin collecting data on July 1, 1987, on the extent to which participants in the GAIN program are using subsidized child care upon graduation from the program. This data was to include the number of children of GAIN graduates who are receiving services, the number of children of GAIN graduates who are on waiting lists for services, and the length of time these children have remained on the waiting lists. However, as of November 1987, according to the GAIN county analyst for the DSS and the manager of the SDE's Child Development Funding Unit, this requirement has not been implemented.

Finally, as part of the implementation of the GAIN program, the SDE contracted with the California Child Care Resource and Referral Network (network) to complete a study of the availability of all types of child care in California. The network conducted a survey to develop information on the supply and cost of child care in California to assist the State and the county welfare departments in planning for the child care needs of participants in the GAIN program. The network collected data from the 65 state-funded child care resource and referral agencies, which contacted nearly 25,000 licensees who declared that they were caring for children or willing to care for children as of the day that the resource and referral agencies contacted them. According to the network's executive director, a full report, including an analysis of the survey results, will be issued in February 1988.

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Conclusion

We determined the accuracy of the AFDC enrollment data reported to the State Department of Education by 11 child care contractors that operate 13 programs. The contractors reported accurate enrollment information to the SDE for only 2 of the 13 programs. If the SDE relies on inaccurate information, it may implement inappropriate enrollment priorities for subsidized child care programs. Additionally, because the GAIN program has not been implemented statewide, we are unable to determine the potential availability of child care to the working poor.

Recommendation

To avoid the possibility of implementing inappropriate enrollment priorities, the SDE should ensure that the contractors report accurate information concerning levels of AFDC enrollment in subsidized child care programs. Specifically, the SDE should consider providing specific direction to administrators of subsidized child care programs for determining AFDC enrollment on the survey date, and should consider conducting a limited review of the accuracy of the enrollment data reported by contractors.

We conducted this review under the authority vested in the Auditor General by Section 10500 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this letter.

Respectfully submitted,


THOMAS W. HAYES
Auditor General

Attachments

State Department of Education's response to this report

ATTACHMENT 1

**LIST OF THE 11 CHILD CARE CONTRACTORS
THAT WE REVIEWED**

Pacific Children's Center (Alameda County)
Chico Community Children's Center (Butte County)
Associated Students, California State University, Fresno (Fresno County)
Central Valley Children's Services Network (Fresno County)
Heavenly Vision Education Center (Los Angeles County)
Sacramento Housing and Redevelopment Agency (Sacramento County)
San Juan Unified School District (Sacramento County)
Children's Council of San Francisco (San Francisco County)
Community Coordinating Child Development Council of Santa Clara
(Santa Clara County)
Sutter County Welfare Department
Marysville Joint Unified School District (Yuba County)

**THE STATE DEPARTMENT OF EDUCATION'S
IMPLEMENTATION OF THE OFFICE OF THE AUDITOR GENERAL'S
PRIOR RECOMMENDATION**

The Budget Act of 1986 required the Office of the Auditor General to review and certify certain data collected for the GAIN program. In February 1987, the Office of the Auditor General issued a letter report (Report P-639) that stated that although we were unable to verify the accuracy of the data submitted to the State Department of Education (SDE), the child care contractors that we visited had appropriate methods for collecting and reporting the enrollment data. We also recommended that, when the SDE repeated its survey of contractors in March 1987, it require data on the number of AFDC children under the age of six and the number of children six years of age and older to better estimate the level of federal reimbursement for child care costs.

The SDE concurred with our recommendation, and for its surveys of March 1987 and September 1987, the SDE requested that child care contractors report the number of children under six years of age and the number of children six years of age and older.

AFDC AND NON-AFDC ENROLLMENT REPORTED BY
CHILD CARE PROGRAMS THAT ARE SUBSIDIZED BY
THE STATE DEPARTMENT OF EDUCATION
SEPTEMBER 15, 1987

<u>County</u>	<u>AFDC Enrollment</u>	<u>Percent of Total</u>	<u>Non-AFDC Enrollment</u>	<u>Percent of Total</u>	<u>Total</u>
Alameda	1,716	27	4,565	73	6,281
Alpine	6	60	4	40	10
Amador	0		0		0
Butte	101	34	199	66	300
Calaveras	17	20	68	80	85
Colusa	2	2	99	98	101
Contra Costa	457	34	884	66	1,341
Del Norte	47	67	23	33	70
El Dorado	39	14	232	86	271
Fresno	306	29	750	71	1,056
Glenn	11	14	67	86	78
Humboldt	302	39	464	61	766
Imperial	118	25	363	75	481
Inyo	12	43	16	57	28
Kern	309	27	825	73	1,134
Kings	26	19	113	81	139
Lake	8	16	42	84	50
Lassen	0		0		0
Los Angeles	3,930	16	20,403	84	24,333
Madera	0		0		0
Marin	152	29	378	71	530
Mariposa	1	25	3	75	4
Mendocino	88	26	246	74	334
Merced	146	31	320	69	466
Modoc	16	20	65	80	81
Mono	0		0		0
Monterey	192	21	721	79	913
Napa	131	35	240	65	371
Nevada	32	30	76	70	108
Orange	434	19	1,904	81	2,338
Placer	57	38	92	62	149
Plumas	5	11	41	89	46
Riverside	388	31	868	69	1,256
Sacramento	1,102	30	2,548	70	3,650
San Benito	0		0		0
San Bernardino	468	38	756	62	1,224
San Diego	983	22	3,488	78	4,471
San Francisco	1,483	24	4,650	76	6,133
San Joaquin	77	22	280	78	357
San Luis Obispo	30	11	248	89	278
San Mateo	241	17	1,207	83	1,448
Santa Barbara	190	25	569	75	759
Santa Clara	810	18	3,591	82	4,401
Santa Cruz	220	26	619	74	839
Shasta	133	32	283	68	416
Sierra	0		0		0
Siskiyou	45	43	59	57	104
Solano	108	22	380	78	488
Sonoma	312	36	546	64	858
Stanislaus	132	13	873	87	1,005
Sutter	44	24	136	76	180
Tehama	0		0		0
Trinity	3	5	53	95	56
Tulare	127	21	470	79	597
Tuolumne	36	29	89	71	125
Ventura	135	19	576	81	711
Yolo	62	29	155	71	217
Yuba	32	34	63	66	95
Total	<u>15,822</u>	22	<u>55,710</u>	78	<u>71,532</u>



CALIFORNIA STATE DEPARTMENT OF EDUCATION

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Bill Honig

Superintendent

of Public Instruction

December 17, 1987

Thomas W. Hayes, Auditor General
Office of the Auditor General
660 J Street, Suite 300
Sacramento, CA 95814

P-770

Dear Mr. Hayes:

We have reviewed the draft of the report concerning the Department of Education's (SDE) collection of AFDC enrollment data from subsidized child care programs. The SDE collected this data in compliance with Provision 10 of Item 6100-196-001 of the 1987 Budget Act, Chapter 135. This was the first phase of periodic comparisons of enrollment of Aid to Families with Dependent Children (AFDC) recipients in SDE child development programs.

We agree that accurate information concerning levels of AFDC enrollment in subsidized child care programs is necessary. We have provided written instructions for determining AFDC enrollment on the survey date and we have addressed the importance of this data in workshops. SDE staff have responded to telephone inquiries for clarification of instructions but there has been no indication of widespread misunderstandings. Apparently the reporting errors resulted from miscounts as agency staff sorted through family eligibility files to hand tally the AFDC counts specifically for this report. Since the shift from federal to state funding of child development programs in 1980, contractors have not been required to maintain separate listings of AFDC recipients. The tallying of AFDC enrollment is a very time consuming operation and adds to the already considerable paperwork burden placed on agency personnel. Perhaps agencies will begin to add AFDC information to their automated records so that this problem will be minimized in the future.

To date the SDE has not undertaken site monitoring to review the accuracy of the reported data for a number of reasons. These include lack of funding for administration of this data collection task, the limited implementation of the program statewide, and the relatively short time we have between program start up in September and the November 15 due date for providing the data to your staff for certification. While visits are made to these contractors for other purposes, checks of the accuracy of AFDC counts would be time consuming as such a check would require a complete recount by SDE staff. Because the errors are

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not systematic but are merely incorrect counting, site reviews to a limited number of contractors would not greatly impact the problem.

We agree that improvements in the accuracy of these data are needed. Thus, when SDE sends the data collection package for the second phase of this process in March 1988, we will inform the contractors of your findings and caution all of them to double check their counts before submitting the data. Information on this survey will also be included in a workshop on the Greater Avenues to Independence (GAIN) program at the annual child development conference sponsored by the SDE in April. When GAIN has been implemented statewide and SDE has funding for monitoring this data collection, we will consider the effectiveness of site monitoring of the accuracy of reported enrollment data. Additionally, SDE is planning to simplify the AFDC survey form and instructions and will include changes that were recommended by your staff.

Thank you for the work of your staff on this project. Our ability to more effectively manage our programs is enhanced by the work of your office. If you have any questions about this response, please call Carolyn Pirillo at 324-1164.

Sincerely,



William D. Dawson
Executive Deputy Superintendent

WDD:c